

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 SAM-01 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

COME-00 L-03 AGR-20 OPIC-12 XMB-07 CIAE-00 INR-10

NSAE-00 DRC-01 /153 W

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P 282115Z FEB 74

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC PRIORITY 6433

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E.O. 11652: N/A

TAGS: EIND, EAGR, HO, US

SUBJECT: DECREE 103: OPIC RELATIONSHIP WITH IWP

ALSO FOR OPIC

REF: A) TEGUCIGALPA 0653, AND B) TEGUCIGALPA 0821

SUMMARY: INTERNATIONAL WOOD PRODUCTS (IWP) ADVISES EMBASSY THAT OPIC NOTIFIED CURTAS OF IWP IN TAMPA THAT INVESTMENT INSURANCE MIGHT BE DROOPED. IWP FURTHER ADVISES THAT REYES OF COHDEFOR HAS COPY LETTER PREPARED BY CARIBBEAN LUMBER CO. (DAVIS). LETTER APPARENTLY CIRCULATING IN WASHINGTON AND CONTAINS ALLEGATIONS OF COMMUNIST TAKEOVER AND OTHER ALLEGATIONS OF GOH INTENT TO CONFISCATE FOREIGN INVESTMENT. DEPARTMENT REQUESTED TO REVIEW RECENT INFORMATION ON U.S. INVESTMENT INTERESTS IN HONDURAS WITH OPIC. SUMMARY OF OPIC VIEWS REQUESTED. END SUMMARY.

1. IWP OFFICIALS STANLEY AND WILLIAMS CALLED THE EMBASSY FEB. 28. CURTAS OF IWP TAMPA HAD RECEIVED CALL FROM OPIC INDICATING OPIC MIGHT DROP INVESTMENT INSURANCE. ISSUE DEEPLY IMPORTANT TO IWP DUE TO MARCH 2 NEGOTIATIONS WITH
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LATIN AMERICAN AGRILBUSINESS DEVELOPMENT (LAAD) CONCERNING

SALE OF STOCK. AS INDICATED REFTEL AND PREVIOUS IWP CONSIDERS ITSELF NOT DISADVANTAGED BY DECREE 103 OR REYES DECISIONS. STATED THIS MORNING REYES HAS OFFERED MORE THAN THEY CAN ACCEPT. QUOTED REYES AS SAYING, "WE HAVEN'T CONFISCATED ANYTHING AND WE DO NOT INTEND TO." REYES ADVISED WILLIAMS AND STANLEY THAT THE HAS COPY OF CARIBBEAN LUMBER CO. LETTER ACCUSING GOH OF COMMUNIST MOTIVATION AND CONFISCATORY INTENTION TOWARD FOREIGN INVESTMENT. DATE OF LETTER UNKNOWN, ADDRESSEES UNKNOWN.

2. WHILE EMBASSY CAN ASSURE THAT COMMUNIST ALLEGATION IS CATEGORICALLY WRONG, QUESTION OF CONFISCATION IS, UNTIL ADJUDICATED, IN THE EYE OF THE BEHOLDER. WE ARE NOT CERTAIN WHAT VIEW DAVIS HAS AT MOMENT. HIS PRESENTATION OF COUNTER-CLAIM TO TAX AUTHORITIES (REFTEL (B) IS NECESSARY STEP IN EITHER CASE OF ACCOMODATION OR CASE OF PREPARATION OF EXPROPRIATION CLAIM. EMBASSY INCLINED TO BELIEVE, HOWEVER, THAT GENERAL EXPERIENCE IN MONTH OF FEB. ON PART OF U.S. INVESTORS WITH DECREE 103 AND COHDEFOR HAS GREATLY LESSENNED THEIR INITIAL BELIEF OF EXPROPRIATION INTENT GOH.

3. COMMENT: EMBASSY ACCEPTS IWP VIEW THAT IT HAS NOT BEEN DAMAGED BY DECREE 103 AND BELIEVES THAT DEPARTMENT'S REVIEW WITH OPIC OF CURRENT SITUATION AND EMBASSY REPORTING IN PAST TWO MONTHS WOULD SUPPORT THIS JUDGMENT. IWP'S POSTION AS FINISHED PRODUCT EXPORTER IS A PRIVILEGED ONE. WE DO NOT BELIEVE IWP'S POSITION WITH OPIC SHOULD BE DISADVANTAGED BECAUSE OF ALLEGED CONDITIONS AFFECTING U.S. INVESTORS IN OTHER STAGES OF TREATMENT UNDER DECREE 103. FURTHERMORE, AS OUR REPORTING HAS INDICATED, ALL GOH MOVES IN THIS AREA KNOWN TO US HAVE BEEN CONSISTENTLY EQUITABLE AND STRAIGHTFORWARD WITHIN CONTEXT OF LAW.

4. "COMMUNIST TAKEOVER" THEME, IF IT IS BEING BRUITED ABOUT IN WASHINGTON, IS RIDICULOUS. CLAIMS OF THIS NATURE ARE OF COURSE BEING PUSHED IN HONDURAS BY EXTREMIST "OUTS," MAINLY IN NATIONALIST PARTY. LACK OF CREDIBILITY OF THESE CHARGES IS INDICATED BY CONTINUED LIMITED OFFICIAL USE

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ARRIVAL OF U.S. FIRMS INTERESTED IN SUBSTANTIAL NEW INVESTMENTS, PARTICULARLY TIMBER FIELD. AND, MORE SIGNIFICANTLY IN TERMS OF AMERICAN BUSINESS INTERESTS, FACT IS THAT THESE ALLEGATIONS ARE BEING PEDDLED HERE BY PRECISELY THOSE LEADERS OF THE DEFUNCT CRUZ GOVERNMENT WHO WERE RESPONSIBLE FOR SYSTEMATIC HARRASSMENT OF U.S. INVESTMENT, ATTEMPTED EXTORTIONS FROM MAJOR COMPANIES, ILLEGAL EXPULSION FROM HONDURAS OF CARGIL REP, ARRESTS

AND ILLEGAL STATE INTERVENTIONS AGAINST MAYA LUMBER AND
TIMBERLANE INTERESTS, AND REQUIREMENTS OF LARGE BRIBES
AND PAYOFFS FOR GRANTING OF CONCESSIONS.

ACTION REQUESTED: EMBASSY REQUESTS THAT DEPT DISCUSS
THIS MATTER WITH OPIC IN ORDER TO ASCERTAIN ITS VIEWS.
WE PARTICULARLY WONDER WHETHER REPORTED "LETTER" HAS
HAD ANY IMPACT ON OPIC THINKING. WE HOPE THAT DEPT
CAN PROVIDE PERSPECTIVE ON SITUATION. DEPENDING ON
THE BACKGROUND, A VISIT TO HONDURAS OF SOME RESPONSIBLE
OPIC OFFICIAL MAY BE INDICATED.
SANCHEZ

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